Parole Board of Canada | Commission des libérations conditionnelles du Canada

Quarterly Financial Report for the Quarter ended December 31, 2011

Canada

Parole Board of Canada

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board Accounting Standard 1.3. This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates. It has not been subject to an external audit or review.

Authority and Objectives

The Parole Board of Canada (PBC or the Board) is an independent administrative tribunal with exclusive authority to grant, deny, cancel, terminate or revoke day parole and full parole. The Board also makes pardon decisions, and recommendations for clemency through the *Royal Prerogative of Mercy*.

Legislation governing the Board includes the *Corrections and Conditional Release Act (CCRA)*, the *Criminal Records Act (CRA)*, and the *Criminal Code*. The *CCRA* empowers the Board to make conditional release decisions for federal offenders and offenders in provinces and territories without their own parole boards. Provincial boards currently exist in Quebec and Ontario. The *CRA* provides authority to the Board to grant, deny or revoke pardons for convictions under federal acts or regulations. The Governor General or the Governor in Council exercises authority regarding the use of the *Royal Prerogative of Mercy* for those convicted of a federal offence in all jurisdictions based on investigations by the Board and recommendations provided to the Minister of Public Safety.

The Board has one strategic outcome: Conditional release and pardon decisions and decision processes that safeguard Canadian communities. This strategic outcome is the cornerstone of the Board's public accountability and reporting of results.

Further details on the Board's authority, mandate and program activities may be found in the PBC's Report on Plans and Priorities.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Board's spending authorities granted by Parliament and those used by the Board, consistent with the Main Estimates and Supplementary Estimates for the 2011-2012 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Significant Changes to Authorities

As at December 31, 2011, total authorities available for the year have increased by $7.5M compared to the same quarter of the previous year, from $48.5M to $55.9M. It is important to note that these funds are, for the most part, non-discretionary, set aside to deal with severance costs related to collective agreements, and renewals of certain initiatives. The major changes are as follows:

Quarter 1:

- An increase of $1.6M, the third of six annual increases related to the Truth in Sentencing Act ;
- An increase of $1.1M due to the net results of reprofiling funds between various fiscal years for the Board's Medium- to Long-Term Accommodation Plan for Program Delivery;
- An increase of $573K for the renewal of the Strengthening Community Safety Initiative;
- An increase of $308K related to the Employee Benefit Plan rate change from 17.5% to 18.0%;
- An increase of $97K, the third and last annual increase related to the Tackling Violent Crime Act;
- A decrease of $454K due to the Budget 2010 Cost Containment Measures; and
- A decrease of $440K related to the sunset of the Federal Victims Strategy Initiative.
- The Board received in February 2010 net voting authorities up to $980K to re-spend revenues generated from pardon application fees commencing on April 1, 2010. The authority to re-spend revenue was followed by an increase of $1.5M from $980K to $2.4M due to the December 2010 increase to the pardon application fee from $50 to $150.

Quarter 2:

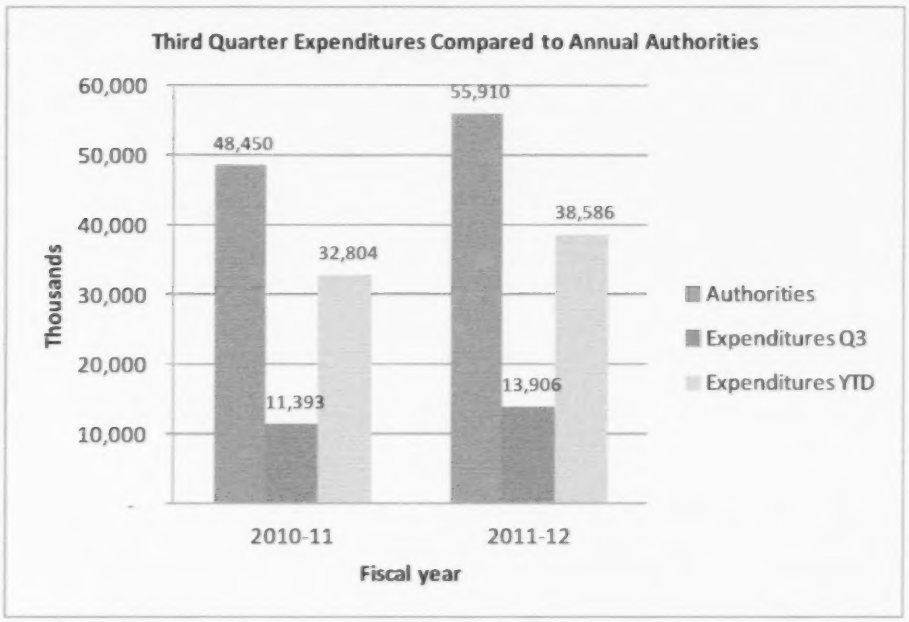
- An increase of $392K related to the reimbursement by Treasury Board Secretariat of certain pay benefits, such as severance pay, parental benefits and vacation credits payable upon termination of employment with the Public Service.

Quarter 3:

- An additional increase of $3.8M related to the reimbursement by Treasury Board Secretariat of certain pay benefits, such as severance pay, parental benefits and vacation credits payable upon termination of employment with the Public Service;

- An increase of $440K related to the renewal of the Federal Victims Strategy Initiative.

Figure 1 - Third Quarter Expenditures Compared to Annual Authorities



Significant Changes to Budgetary Expenditures

The year-to-date (YTD) spending, net of revenue, increased by $5.8M or 18% in 2011-12, compared with 2010-11. However, year-to-date spending as a percentage of planned expenditures is relatively constant between the two years: 69% in 2011-12, compared to 68% in 2010-11. Expenditures, net of revenue, in the third quarter of 2011-12 are $2.5M higher than the same quarter in the previous year. This is an increase of 22%.

Readers should refer to the Board's earlier quarterly reports for explanations of variances noted in the two quarters, as these will, in many cases, carry forward as explanations for YTD variances.

The following points explain significant variances between the two years, focusing on occurrences in the third quarter:

- The vast majority of the Board's expenditures are for salary. Personnel expenditures increased by $5.9M or 20% over YTD expenditures of 2010-11. The third quarter spending increased by $2.3M or 23% compared to the same quarter of the previous fiscal year. Both YTD and quarter-to-quarter variances are due in large part to significant payments for severance pay and termination benefits following revisions to certain Collective Agreements. (Elimination of severance pay was approved by Treasury Board and bargaining units in recent collective agreements representing over 95,000 members of the core public administration. Members were entitled to choose either immediate payment of accumulated severance pay or to defer the payments until termination of employment.) As well, additional human resources were required to allow the Board to react to the increase in workload necessary to implement the changes flowing from the Abolition of Accelerated Parole Act. Due to the uncertainty of funding, this was primarily accomplished through hiring determinate employees, and increased use of part-time Board members.

- Transport and Communications is also a significant cost element for the Board and increased by $228K from $819K in the third quarter of 2010-11 to $1,0M in the corresponding period in 2011-12. This increase is mainly due to the Board's Annual Training on Risk Assessment (ATRA), which was held in the third quarter this fiscal year compared to the fourth quarter last fiscal year (ATRA is a training conference with plenary sessions and workshops that focus on the continuous training needs of Board Members and staff).

- Information expenditures were $9K higher in the third quarter of 2011-12 than in the previous year. The increase is due to the production of an educational video to be used in the future.

- Professional and Special Services is another significant expenditure element. Expenditures for the third quarter in 2011-12 were $286K higher (45%) from the previous year's third quarter. This was principally due to: an investment in Board member selection tools; increased legal fees flowing from the addition of a third lawyer in September 2012; increased litigation following the coming into force of the Abolition of Early Parole Act; professional services related to ATRA; commencement of a contract to develop the Board's security program; and an increase in the number of Appeal decisions required to be translated. Timing of the invoicing of shared library services also contributed to the increase.

- Rentals increased by $12K or 30% from $40K in the third quarter of 2010-11 to $52K in the corresponding quarter in 2011-12. This increase is mostly due by the rental of meeting rooms and equipment for various training sessions and meetings.

- Acquisition of machinery and equipment increased significantly by $260K from $40K in the second quarter of 2010-11 to $300K in the corresponding period in 2011-12. This increase is largely due to the purchase of furniture, chairs and workstations for the Kingston regional office expansion. Additionally, scanners and other materiel were purchased for an electronic file pilot project carried out in the Prairie region.

Significant Changes to Revenues Collected

The Board collects a fee for processing pardon applications. Effective December 2010, the fee increased from $50 to $150, resulting in the need to increase the authority to re-spend revenue by $1.5M from $980K to $2.4M. As well, the application process and eligibility requirements were changed following the coming into force of the *Limiting Pardons for Serious Crimes Act* in June 2010. The combined effect of legislative change and increased fee resulted in a decrease in the number of pardon applications accepted in 2010-11: 1,593 or 55% from the third quarter of 2010-11. However, revenue collected in the third quarter increased significantly, from $144K to $671K.

Risks and Uncertainties

Budget 2010 announced that the operating budgets of departments would be frozen at their 2010-11 levels for the fiscal years 2011-12 and 2012-13. The Board has estimated the impact of this decision to be approximately $436.9K in 2011-12. The Board expects to absorb the impact of the budget measure through a reduction in non-salary operating budgets, which were applied to each of the Board's 46 responsibility centres. This approach will continue for the duration of the budget measure until 2012-13.

Budget 2011 announced that departmental budgets would be examined through a Deficit Reduction Action Plan. Pursuant to this review, it is expected that future years' budgets will be reduced for fiscal years commencing in 2012-13. However, at this time the nature and extent of any reductions are not known. At the current time, the Board has chosen to take a cautious approach to staffing, particularly with respect to indeterminate employees.

The *Abolition of Early Parole Act* received Royal Assent on March 23, 2011. As anticipated, the Board's workload began to increase in August 2011 as offenders who had been eligible for accelerated parole review became eligible for full parole reviews. To date, anticipated funds have not been received. As a result, the Board has had to absorb these associated costs from existing resources. This pressure, when combined with potential budget reductions resulting from the Deficit Reduction Action Plan, may affect Board operations.

The PBC receives all of its funding through annual Parliamentary authorities. As a result, its operations are impacted by any changes in funding approved through Parliament. The Board collects user fees for processing pardon applications, and has the authority to spend revenues received during the year on activities related to granting pardons. To ensure the pardons program continues to be delivered effectively without affecting budgets devoted to the Board's conditional release program, the Board is seeking to implement a full-cost recovery model for the processing of a pardon application. Estimates of costs and related fees are based on assumptions relating to volumes of pardon applications that will be received. Deviations of actual volumes from forecasts will have an impact on the Board's net financial situation.

Over the next few months and years, the Board expects increased activity as a result of further legislative change. While the increase in workload will be most obvious in the number of reviews conducted, the entire organization will be affected.

Significant Changes in Relation to Operations, Personnel and Programs

The Board has seen the following significant changes in its programs over the past year:

- On June 17, 2010, the House of Commons passed Bill C-23A, Limiting Pardons for Serious Crimes Act. The legislation modifies the waiting period to apply for a pardon. The user fee for a pardon increased from $50 to $150 on December 29, 2010. On February 8, 2012, an order was signed to increase the application fee to process a pardon application. The fee will increase from $150 to $631, and this will take effect on February 23rd, 2012. These changes will have a major impact on the Board's revenue.

- On March 28, 2011, Bill C-59, the Abolition of Early Parole Act, came into force. This Bill abolished Accelerated Parole Reviews, which allowed those convicted of non-violent offences to apply for day parole after serving one-sixth of their sentence and full parole after serving one-third. While in the short term, this reduced the number of parole hearings and decisions, it will ultimately lead to a significant increase in the volume of reviews. Volume increases were noted, as anticipated, beginning in August 2011. For the period August to December, the number of pre-release hearing for non-violent, first-time offenders increased from 386 in 2010 to 642 in 2011, an increase of 66%. In order to accommodate the workload increase without additional funds, the Board put in place certain restraint measures in November 2011. These included increased scrutiny on staffing, particularly indeterminate positions, elimination of all discretionary spending, and a significant reduction of travel.

Approval by Senior Officials

Approved by:

Harvey Cenaiko	Cathy Gaudet, CA
Chairperson	Chief Financial Officer

Statement of Authorities (unaudited)

(In thousands of dollars)	Fiscal year 2011-12			Fiscal year 2010-11		
	Total available for uses for the year ending March 31, 2012	Used during the quarter ended December 31, 2011	Year to date used at quarter-end	Total available for uses for the year ending March 31, 2011	Used during the quarter ended December 31, 2010	Year to date used at quarter-end
Vote 40 – Program expenditures	52,331	13,073	35,830	43,893	10,153	29,236
Less revenues netted against expenditures	2,436	671	1,755	980	144	585
Budgetary statutory authorities - EBP	6,015	1,504	4,511	5,537	1,384	4,153
Total authorities	55,910	13,906	38,586	48,450	11,393	32,804

Departmental Budgetary Expenditures by Standard Object (unaudited)

(In thousands of dollars)	Fiscal year 2011-12			Fiscal year 2010-11		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended December 31, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended December 31, 2010	Year to date used at quarter-end
Expenditures						
Personnel	46,389	12,148	35,314	40,592	9,889	29,465
Transportation and communications	4,730	1,047	2,385	3,452	819	1,899
Information	153	20	51	160	11	19
Professional and special services	4,027	925	1,873	2,699	639	1,577
Rentals	261	52	126	208	40	101
Repair and maintenance	1,797	9	22	1,373	9	29
Utilities, materials and supplies	391	76	175	320	79	200
Acquisition of machinery and equipment	595	300	391	620	40	86
Other subsidies and payments	4	0	4	6	11	13
Total gross budgetary expenditures	58,346	14,577	40,341	49,430	11,537	33,389
Total revenues netted against expenditures	2,436	671	1,755	980	144	585
Total net budgetary expenditures	55,910	13,906	38,586	48,450	11,393	32,804